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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 07/01/02 AND ENDING 6/30/03  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

**FIRST HERITAGE CORPORATION**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

2500 Hallandale Beach Blvd., Suite 803

(No. and Street)

Hallandale Beach

(City)

FL

(State)

33009

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Jacob Feldman

(954) 455-9555

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

VB&H Certified Public Accountants, LLC

(Name - if individual, state last, first, middle name)

183 Madison Avenue, Suite 204

(Address)

New York

(City)

NY

(State)

10016

(Zip Code)

CHECK ONE:

☒

Certified Public Accountant

☐

Public Accountant

☐

Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 31 2004

THOMSON  
FINANCIAL

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

# FIRST HERITAGE CORPORATION

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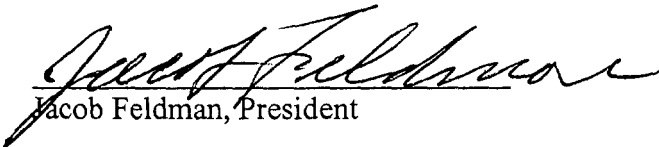
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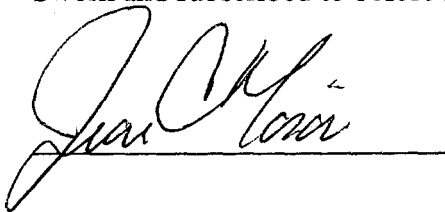
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## AFFIRMATION

I, Jacob Feldman, affirm that, to the best of my knowledge and belief the accompanying financial statements and supplemental schedules pertaining to the firm of First Heritage Corporation at June 30, 2003 and for the year then ended are true and correct. I further affirm that neither the Company nor any officer or director has any proprietary interest in any account classified as that of a customer.

  
Jacob Feldman, President

Sworn and subscribed to before me this 17<sup>th</sup> day of SEPTEMBER, 2003.





Juan C Moron  
My Commission CC891128  
Expires November 29, 2003



Certified Public Accountants, LLC

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## INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORT

To the Board of Directors  
First Heritage Corporation  
Hallandale, Florida

We have audited the accompanying balance sheet of First Heritage Corporation as of June 30, 2003 and the related statements of operations, cash flows and changes in stockholder's equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Heritage Corporation as of June 30, 2003, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has limited operations and limited assets. Although the Company is a member of the National Association of Securities Dealers, Inc., there can be no assurance that the Company will have the capital to implement its intended operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of the uncertainty.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplemental data is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VB & H, LLC, CPAs

August 19, 2003  
New York, NY

**FIRST HERITAGE CORPORATION**  
**BALANCE SHEET**  
**As of June 30, 2003**

**ASSETS**

Cash	\$ 708
Receivable from clearing brokers	8,435
Receivable from Parent Co.	<u>26,687</u>
Total Assets	<u>\$ 35,830</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Accounts payable and accrued expenses	\$ <u>2,287</u>
Stockholder's Equity:	
Common stock, \$1.00 par value, 50,000 shares authorized; 2,000 shares issued and outstanding	2,000
Additional paid-in capital	32,325
Retained (deficit)	<u>(782)</u>
Total Stockholder's Equity	<u>33,543</u>
Total Liabilities and Stockholder's Equity	<u>\$ 35,830</u>

See accompanying notes.

**FIRST HERITAGE CORPORATION**  
**STATEMENT OF OPERATIONS**  
**For the Year Ended June 30, 2003**

Revenues		
Mutual fund income	\$	25,452
Equity commissions		9,568
Other income		<u>1,160</u>
Total Revenue		36,180
Operating expenses		
Clearing & other expenses		5,907
Other charges/costs		1,502
Insurance		369
Licenses & regulatory		5,236
Office expenses		679
Commissions and fees expense		12,366
Legal and professional expense		<u>3,000</u>
Total Operating Expenses		<u>29,059</u>
Net income before taxes		<u>7,121</u>
Provision for income taxes		<u>1,026</u>
Net income	\$	<u><u>6,095</u></u>

See accompanying notes.

**FIRST HERITAGE CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2003**

Cash Flows (Used) By Operating Activities:	
Net income	\$ 6,095
Adjustments to reconcile net income to cash flows (used) by operating activities:	
Decrease in receivable from clearing broker	194
(Increase) in receivable from Parent Co.	(11,582)
Increase in accounts payable	<u>2,022</u>
Cash Flows (Used) by Operating Activities	<u>(3,271)</u>
Net (decrease) in cash	(3,271)
Cash, July 1, 2002	<u>3,979</u>
Cash, June 30, 2003	\$ <u><u>708</u></u>

See accompanying notes.

**FIRST HERITAGE CORPORATION**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**For The Year Ended June 30, 2003**

	Common Stock		Additional	Retained	
	Shares	Amount	Paid-in	Earnings	Total
			Capital		
Balance, June 30, 2001	2,000	\$ 2,000	\$ 32,325	\$ (15,543)	\$ 18,782
Net income for the year	-	-	-	8,666	8,666
Balance, June 30, 2002	2,000	\$ 2,000	\$ 32,325	\$ (6,877)	\$ 27,448
Net income for the year	-	-	-	6,095	6,095
Balance, June 30, 2003	<u>2,000</u>	<u>\$ 2,000</u>	<u>\$ 32,325</u>	<u>\$ (782)</u>	<u>\$ 33,543</u>

See accompanying notes.

**FIRST HERITAGE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**1. ORGANIZATION AND NATURE OF BUSINESS**

First Heritage Corporation (Company) was incorporated in Michigan in 1982 as Belznak Securities, Inc. The Company is registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers, Inc. (NASD).

The Company is a wholly-owned subsidiary of First Heritage Global, Ltd. (Parent).

In April 2000, the Parent acquired 100% of the issued and outstanding common stock of the Company. Prior to April 2000, the Company had very limited operations and no operations subsequent to that date as management restructured itself to conduct a securities business principally in equities, debt and mutual funds on an agency basis, as well as riskless principal transactions. In February 2001, the Company successfully completed its continuing membership interview with the NASD. In the current fiscal year, the Company earned minimal mutual fund commissions.

The Company expects to clear all of its transactions through security clearing brokers. The Company acts as a broker/dealer and is exempt from Securities and Exchange Commission Rule 15c-3 under paragraph k (2)(ii) since it uses other security firms for clearing.

Pursuant to an agreement between the Company and Emmett A. Larkin, Inc., all securities transactions of the Company are cleared through Emmett A. Larkin, Inc., and the Company's customers are introduced and cleared on a fully disclosed basis.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The Company's financial statements are prepared using the accrual method of accounting. The Company's year end is June 30.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. NET CAPITAL REQUIREMENTS**

The Company is a member of the NASD and subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined shall not exceed 8 to 1. At June 30, 2003, the Company had net capital of \$6,856, which was in excess of its required net capital of \$5,000.

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**FIRST HERITAGE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**4. RELATED PARTIES**

Substantially all of the Company's operating expenses are paid for by its parent under an unconditional, non-recourse agreement.

**5. CONTINGENCIES**

In the normal course of business, the Company will be engaged in various trading and brokerage activities on an agency basis through a clearing broker.

In connection with these activities, a customer's unsettled transactions may expose the Company to off-balance-sheet risk in the event the customer is unable to fulfill its contractual obligations.

Significant credit exposure may result in the event that the Company's clearing broker is unable to fulfill their contractual obligation.

**FIRST HERITAGE CORPORATION**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE**  
**SECURITIES AND EXCHANGE COMMISSION**  
**June 30, 2003**

NET CAPITAL:

Total stockholder's equity	\$33,543
Non-allowable assets and deductions	<u>(26,687)</u>
Net capital before haircuts on securities positions	<u>6,856</u>
Haircuts on securities positions	<u>-</u>
Net Capital	<u><u>\$ 6,856</u></u>

AGGREGATE INDEBTEDNESS:

Items included in the statement of financial condition	
Accounts payable	<u>\$ 2,287</u>
Percentage of aggregate indebtedness to net capital	<u>33%</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:

Minimum net capital required	<u>\$ 5,000</u>
Excess net capital	<u><u>\$ 1,856</u></u>

The above computation does not differ materially from the June 30, 2003 computation of net capital filed electronically by the company on FOCUS Form X-17A-5 Part IIA.

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL  
ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5**

To the Board of Directors of  
First Heritage Corporation

In planning and performing our audit of the financial statements and supplementary information of First Heritage Corporation (the "Company") for the year ended June 30, 2003, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following: 1) Making quarterly securities examinations, counts, verifications and comparisons; 2) Recordation of differences required by Rule 17a-13, or, 3) Complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining a system of internal accounting control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them

to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at June 30, 2003, to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., (N.A.S.D.), and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

VB & H, LLC, CPA's

August 19, 2003  
New York, NY